

# EXHIBIT 1

# APPRAISAL REPORT

**3873 Route 9L  
Lake George, New York**



**Hafner**  
**Valuation Group, Inc.**

**Effective Date of Valuation**  
June 19, 2015

**Report Prepared For:**  
Ocwen Loan Servicing, LLC  
1661 Worthington Rd., Suite 100  
West Palm Beach, FL 33409

**Appraised By:**  
Hafner Valuation Group, Inc.  
4 Avis Drive  
P.O. Box 16250  
Albany, New York 12212-6250

**Date of Report:**  
June 29, 2015

# Hafner Valuation Group, Inc.

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Latham, NY 12110

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June 29, 2015

Ocwen Loan Servicing, LLC  
1661 Worthington Rd., Suite 100  
West Palm Beach, FL 33409

Re: 3873 Route 9L  
Lake George, New York  
Client ID:

Dear Sirs:

Pursuant to your request, I have prepared an **Appraisal** for the above referenced property. The purpose of this appraisal is to estimate the market value of the subject property's fee simple interest "as is". **This appraisal is intended only for the use of the client, Ocwen Loan Servicing, LLC, which may rely upon the data and value opinions set forth herein. However, such reliance by any other parties or entities is unwarranted and impermissible.**

The attached report details the scope of the work, level of reporting, definition of value, valuation methodology, and pertinent data researched and analyzed in the development of this appraisal. This Appraisal Report has been completed in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP), at a level of reporting consistent with what was formerly known as a Summary Report. The scope of work for each appraisal assignment depends on the particular circumstances surrounding the assignment, including the reasonable needs and expectations of the client and the ability of the appraiser to offer a credible opinion of value, given the scope of work envisioned by the client. While the client's requested scope of work was taken into consideration in determining the appropriate scope of work to be performed, I have independently analyzed the appraisal problem presented by the assignment and determined that the Scope of Work performed is sufficient to form a credible opinion of value, sufficiently reliable in the context of its specific intended use.

Your attention is directed to the Limiting Conditions and Assumptions, located in the addendum of this report. Acceptance of this report constitutes an agreement with these conditions and assumptions.

**This appraisal is subject to the extraordinary assumption that the interiors of uninspected cabins are consistent in quality and condition to typical older cabin properties found throughout the Lake George market area, with no adverse conditions that would significantly affect value. Any extraordinary assumption, if found to be false, can affect assignment results.**

It is my opinion that the market value of the subject property's fee simple interest, "as is", as of an effective date of valuation of June 19, 2015, subject to the Limiting Conditions and Assumptions of this appraisal, is

**NINE HUNDRED THOUSAND DOLLARS  
(\$900,000)**

Respectfully submitted,  
HAFNER VALUATION GROUP, INC.



James M. O'Neill  
New York State Certified  
General Real Estate Appraiser 46-48834

## Summary of Salient Facts

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<b>Subject Property:</b>	3873 Route 9L Town of Lake George, NY
<b>Owner:</b>	Peter W. Smith
<b>Tax Map Nos:</b>	264.8-2-30 264.8-2-31 264.8-2-32
<b>Property Overview:</b>	Restaurant and Cottages
<b>Interest Appraised:</b>	Fee Simple
<b>Combined Lot Size:</b>	2.66 +/- Acres
<b>Highest and Best Use Land as Vacant:</b>	Tourism Related Commercial Development
<b>Highest and Best Use As Is:</b>	Restaurant and Tourist Accommodations
<b>Zoning:</b>	RCH (Residential Commercial High Density)
<b>Valuation Date:</b>	June 19, 2015
<b>Date of Report:</b>	June 29, 2015
<b>Leased Fee Market Value:</b>	\$900,000

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## **Important Considerations**

The subject property is being valued “as is”, in the fee simple interest, as a going concern. Your attention is directed to the Limiting Conditions and Assumptions, located in the addendum of this report. Acceptance of this report constitutes an agreement with these conditions and assumptions. While a portion of the property is rented, all tenancies are on a month-to-month basis. Thus, the fee simple value of the property is considered the most reliable indicator of its true market value.

## **Appraisal Specifics**

This is an Appraisal Report which is intended to comply with the reporting requirements set forth under Standards Rule 2 of the Uniform Standards of Professional Appraisal Practice (USPAP), at a level of reporting consistent with what was formerly known as a Summary Appraisal Report.

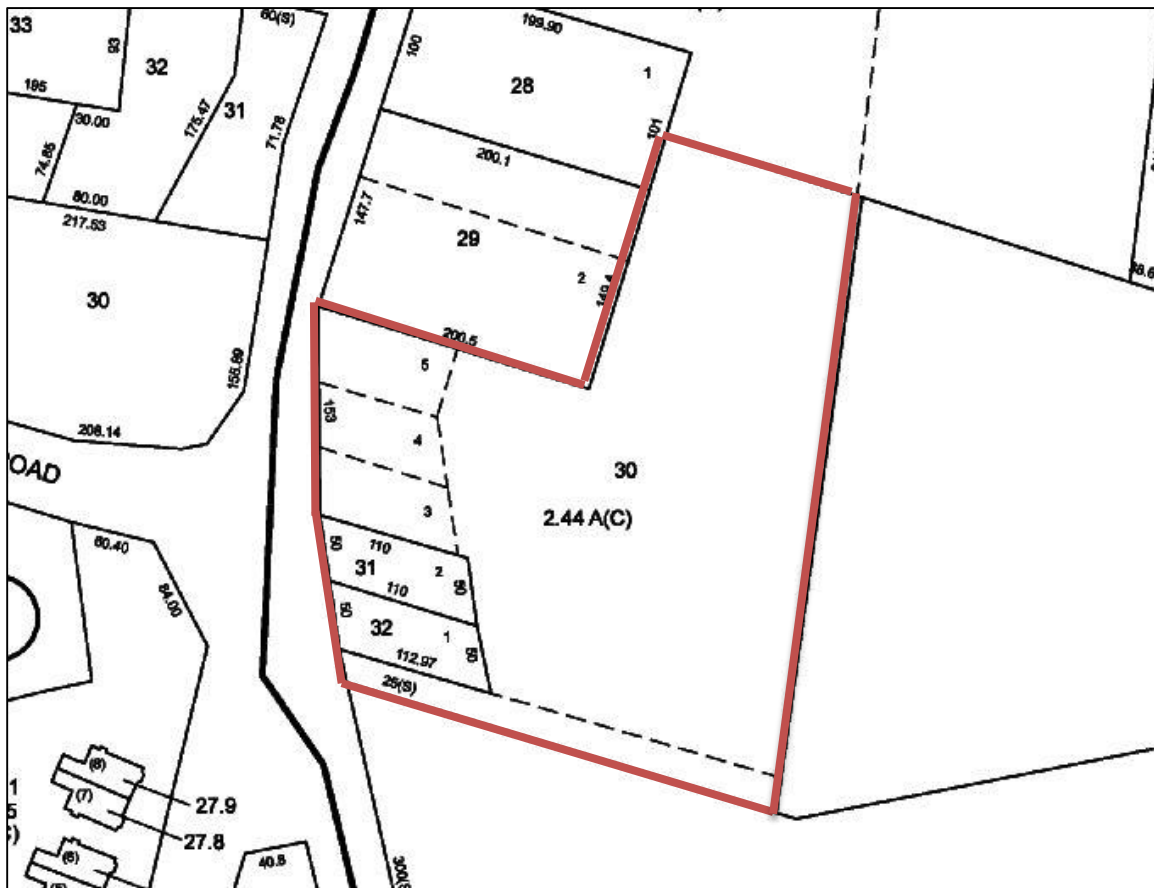
The appraisal is intended to encompass the necessary research and analysis to prepare an Appraisal, in accordance with its intended use, the Standards of Professional Practice of the Appraisal Institute and the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation.

I have determined that the scope of work performed in the development of this appraisal is appropriate for forming a credible opinion of value, sufficiently reliable for its specific intended use.

## **Subject Identification**

The subject property consists of three contiguous parcels, collectively known as 3873 Route 9L, town of Lake George, Warren County, state of New York. The site is identified on Warren County Tax Maps as parcels 264.8-2-30, 31 and 32. The property is improved by a restaurant known as the East Cove, and six cottages containing a total of eight year-round residential units. An excerpt of the relevant portion of the tax map is set forth below. The assumption is made that the tax map substantially conforms to the legal description.

## Tax Map



## Scope of Work

The appraisal process is a systematic procedure whereby the appropriate data is collected, verified, analyzed, and interpreted for the purpose of rendering an opinion of value.

The appraisal is intended to encompass the necessary research and analysis to prepare an Appraisal and Appraisal Report in accordance with the intended use, the Standards of Professional Practice of the Appraisal Institute and the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation (USPAP). The scope of work for this assignment included the development of the Sales Comparison and Income Approaches only. The Cost Approach has not been developed in light of the age of the property and the difficulty in reliably estimating accrued depreciation. I have independently analyzed the appraisal problem presented by the assignment and determined that the analyses which have been developed herein are sufficient to form a credible opinion of value, sufficiently reliable in the context of its specific intended use. To the extent that specific aspects of the scope of work performed for this appraisal assignment call for more detailed discussion or explanation than is set forth in the summary below, the full

discussion and/or explanation will be set forth in that section of the report to which that specific aspect of the scope of work applies.

In regard to this appraisal assignment, the scope of work can be summarized as follows:

1. I inspected the property on June 19, 2015. At the time of inspection, the restaurant was inspected from the interior and exterior. The cabins were occupied and the tenants had not been given notice of the inspection, so they were inspected from the exterior only. **The extraordinary assumption is made that the interiors of uninspected cabins are consistent in quality and condition to typical older cabin properties found throughout the Lake George market area, with no adverse conditions that would significantly affect value.** As available, property data regarding physical and economic detail was also furnished by public record and various public agencies of the town of Lake George, Warren County, and New York State, as well as through paid subscription through LandMax Associates, Inc., Co-Star, Inc. and STDBonline.com. Assumptions were developed to cover factual circumstances that the appraiser had reason to believe true, but was unable to verify. Those assumptions and hypothetical conditions are listed in the Contingent and Limiting Conditions located in the Addenda hereto.
2. Regional, county, town, and neighborhood data were based on information which the appraiser had previously compiled, as well as data which the appraiser obtained through various government offices, local Chamber of Commerce, and other similar organizations.
3. I reviewed and analyzed financial histories and other pertinent information supplied by the client.
4. In estimating the highest and best use for the property, an analysis was made of data compiled in the steps above. In addition, a review of municipal zoning and the local market has been made to determine highest and best use.
5. After assembling and analyzing the data defined in this section, a final opinion of market value was developed and reconciled, and this Appraisal Report was written.

## Appraisal Purpose

The purpose of this appraisal is to estimate the market value of the subject property's fee simple interest, "as is".



## Intended Use

The intended uses of this appraisal are to assist the client, Ocwen Loan Servicing, LLC, with respect to a pending bankruptcy proceeding.

## Intended User(s)

This appraisal is intended only for the use of the client, Ocwen Loan Servicing, LLC, which may rely upon the data and value opinion set forth herein. However, such reliance by any other parties or entities is unwarranted and impermissible. Specifically, the appraisers have no client relationship with the owner or any potential purchasers of the property, or any other entity considering the property as collateral for financing. Accordingly, the appraisers owe no duty to such parties and any reliance by them on the value opinions expressed herein is unintended and unwarranted.

## Definitions <sup>1</sup>

**Market Value:** The most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. (12 C.F.R. Part 34.42(g); 55 *Federal Register* 34696, August 24, 1990, as amended at 57 *Federal Register* 12202, April 9, 1992; 59 *Federal Register* 29499, June 7, 1994)

**Leased Fee Interest:** A freehold (ownership interest) where the possessory interest has been granted to another party by creation of a contractual landlord-tenant relationship (i.e., a lease).

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<sup>1</sup> Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 5th ed. (Chicago: Appraisal Institute, 2010)

## Ownership and Occupancy

The subject real property is owned by Peter Smith. The restaurant portion of the property is occupied by the Smith family, operating under the name East Cove Restaurant. Reportedly, they have been operating the restaurant for over 40 years. The cabins are occupied by eight tenants on a year-round basis, with month-to-month tenancies.

There have been no known sales of the property in the three years immediately preceding the effective date of valuation. The known sale history of the property, as reported on the Warren County web site, is as follows:

<b>Parcel 30</b>			
<b>Date</b>	<b>Vol</b>	<b>Pg</b>	<b>Owner of Record</b>
9/22/1962	424	1	PARMA, EDWARD J. & IRENE G.
5/2/1972	550	283	CARDONE, FRANK & YOLANDA
1/26/1979	621	12	SMITH, PETER
6/25/1968	496	6	SMITH, PETER
<b>Parcel 31</b>			
<b>Date</b>	<b>Vol</b>	<b>Pg</b>	<b>Owner of Record</b>
6/25/1968	496	6	SMITH, PETER W.
<b>Parcel 32</b>			
<b>Date</b>	<b>Vol</b>	<b>Pg</b>	<b>Owner of Record</b>
9/16/1957	369	187	LA ROSE, WINIFRED
4/28/1980	630	1022	LA ROSE, WINIFRED
12/3/1992	869	56	LA ROSE, HOWARD A.
7/2/1997	1027	147	O'CONNER, MICHAEL J.
5/21/2001	1224	31	SMITH, PETER W.

A portion of the property is encumbered by a land lease Owen and Associates Real Estate, LLC, dated June 4, 2005. The leased portion of the property contains a total of 20,055 SF of land, on which the tenant intended to construct an office building. Reportedly, the tenant had difficulties obtaining necessary municipal approvals, and the project never moved forward. The term of the lease is 99 years, ending on April 30, 2104. The tenant made a single up-front payment of rent in the amount of \$50,000, and

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3873 Route 9L, Lake George, N.Y.

is responsible for continued reimbursement of 16% of the total real estate taxes for the property. That leased portion of the property is not considered to add value to the overall property.

The rent roll for the cabins is reported as follows:

<b>Unit</b>	<b>Monthly Rent</b>	<b>Annual Rent</b>
1	\$1,200	\$14,400
2	\$1,000	\$12,000
3	\$1,000	\$12,000
4	\$600	\$7,200
5	\$600	\$7,200
6	\$675	\$8,100
7	\$500	\$6,000
8	\$600	\$7,200
<b>Total</b>	<b>\$6,175</b>	<b>\$74,100</b>

Based upon my review of rental rates for competing rental properties in the market area, the actual rates are consistent with market norms.

The property is reportedly under contract of sale for a price of \$600,000. I was not supplied with a copy of the contract. As described by Mrs. Smith, the sale, if approved by the bankruptcy court, would include the real property, plus all the fixtures, furnishings and equipment of the restaurant. It is unclear if the name "East Cove" is included in the sale, or if the buyer intends to re-name the restaurant. The property was not marketed with a broker. Mrs. Smith reported that the buyer unilaterally approached them with an offer. In light of the market value opinion reported herein, the proposed sale price is considerably lower than market value in a non-distress situation.

The property has continued to be maintained and the restaurant is open for business. Overall, the property appears to have a stable operating history, despite financial troubles of the owner, and is considered to be in a good position to continue as a viable property under new ownership in the event of a sale.

## **Effective Date of Valuation**

June 19, 2015 is the date which the appraisal, analysis, and valuation is valid.

## **Competency Rule**

I am a New York State Certified General Real Estate Appraiser with experience appraising residential, commercial and industrial properties. A copy of my *curriculum vitae* is included in the Addenda hereto.

## LOCATION AND MARKET ANALYSIS

A brief overview of the general area is presented below, as well as a short neighborhood description and summary of market conditions.

### THE CAPITAL REGION

The Capital Region includes the counties of Columbia, Rensselaer, Albany, Schenectady, Schoharie, Green, Saratoga, Washington, Warren, Fulton, and Montgomery. The heart of this region is the Albany-Schenectady-Troy Metropolitan Statistical Area (MSA) covering four counties (i.e., Albany, Rensselaer, Saratoga, and Schenectady) and including three major cities, Albany, Schenectady, and Troy. Within these counties, especially in and around the cities, is a concentration of the Capital Region's population and industry.

Except for the important industrial center in and around Glens Falls, the economies of peripheral areas of the Capital Region are largely devoted to agriculture, tourism, and recreation.

The City of Albany has been capital of the Empire State since 1797. A large portion of its employment is concentrated in government, public utilities, and distribution. Its skyline is dominated by the Empire State Plaza, an impressive complex of governmental offices and civic facilities, which is a tourist attraction as well as government center.

In contrast, the cities of Schenectady and Troy, and many smaller communities in the region, are more industrialized. Schenectady is home of the General Electric Company, a major producer of turbines and electrical equipment, while Troy historically was noted for the production of scientific instruments and its educational facilities. Towards the west, the City of Amsterdam, also an industrial center, manufactures such items as men's and women's apparel, novelties, sporting goods and communications equipment. To the north, industrial activity is concentrated along the Hudson River in the cluster of Glens Falls, Hudson Falls, and Fort Edward and, to a lesser degree, near Saratoga Springs. Paper, apparel, and electrical and medical equipment are among the major products of these communities.

**Transportation & Utilities**

Transportation facilities which support the region are considered excellent. The Capital Region is situated in the east central region of New York State, at the confluence of the Hudson and Mohawk Rivers. The Hudson River connects the Port of Albany to New York City and the Atlantic Ocean to the south. In addition to its close proximity of the Hudson River, Albany County has access to the Barge Canal in the Mohawk River, which is on the town of Colonie's northern boundary. The Barge Canal connects the Hudson River with the Great Lakes, and serves distribution and pleasure craft. The area's highway system provides excellent commuting and distribution networking. The main east-west arteries include the N.Y.S. Thruway (I-90), N.Y.S. Routes 5, 7 and 443, and U.S. Route 20.

**Distance from the Capital Region in Highway Miles:**

Boston	175 Miles
Buffalo	280 Miles
Hartford	105 Miles
Montreal	225 Miles
New York City	150 Miles
Ottawa	334 Miles
Philadelphia	252 Miles
Quebec	381 Miles
Washington, DC	342 Miles

Major north-south highways are the Adirondack Northway (I-87), U.S. Routes 9 and 9W, I-90, and N.Y.S. Routes 32, 85 and 143. These routes, along with a myriad of interconnecting roadways, provide the Capital Region with a superior road system.

Railroad service is provided by Conrail and Amtrak to points in all directions, but principally through the Mohawk corridor to the west, and the New York City-Montreal corridor running north and south. Regional bus lines serving the area include Greyhound and Adirondack Trailways and there are numerous charter services for the subject area.

Inner-regional bus services are available through the Capital District Transportation Authority. The Albany International Airport, located in Colonie, is the primary air transportation center serving the Capital Region. Enplanements at the airport have run steadily over one million from 1990 through 1998, but broke 1.44 million in 2000, a 22.5% increase over 1999. The airport facility was completely modernized in 1998, with new passenger terminal, air traffic control tower, parking facilities, and off-site road improvements which remain on-going.

Excellent public utilities are available to the region. 90% of the region's electric and natural gas needs are supplied by National Grid, having the lowest comparative costs for residential, industrial, and commercial uses of seven utility providers in New York State (N.Y.S. Energy Research Development Authority). Verizon (formerly Bell Atlantic) supplies telephone, and Time Warner supplies cable internet and television services. Individual municipalities typically furnish domestic water and sanitary sewers to those areas with development patterns to support such services.

## Population

The Capital Region's population statistics are as follows: 1,060,169 in 1980; 1,110,214 in 1990; 1,079,687 in 2000 and 1,121,861 as per Census 2010. Albany County is the largest of ten counties, having a population of 302,162 in 2010, or about 27 percent of the total region. The lack of population growth can be largely attributed to the area's relatively small industrial manufacturing base, high taxation, and slight downward trending of state government employment since 1990. The population forecast for the Capital Region's most important counties is as follows:

### Capital Region Population

<b>1980:</b>	<b>1,060,169</b>
<b>1990:</b>	<b>1,110,214</b>
<b>2000:</b>	<b>1,079,687</b>
<b>2010:</b>	<b>1,121,861</b>

<i>Major Counties Population projection</i>	<i>Estimate 2010</i>	<i>Forecast 2020</i>	<i>Variation</i>
Albany County	302,162	307,201	+1.7%
Rensselaer County (subject)	156,602	158,579	+1.2%
Saratoga County	219,391	233,633	+6.5%
Schenectady County	147,939	148,694	+0.5%

The counties on the preceding table comprised a total population of ±826,094 in 2010, representing over 74% of the Capital Region's population. As the table shows, the population forecast for 2020 is for minimal growth, except for Saratoga County, which is expected to significantly outgrow the region for the next 20 years.

## Economy & Education

According to a study performed by Siena Research Institute, area businesses list location and worker education as the two greatest assets of the Capital Region, while taxes and government were perceived as liabilities for the region.

The area's employment base begins with its highly skilled labor force. State University of New York (SUNY) at Albany is one of the four university centers in the state, with degree enrollment of over 13,000 students in a variety of disciplines. Union University includes Union College in Schenectady, among the oldest and best known liberal-arts and engineering colleges in the country, the colleges of Medicine, Law and Pharmacy in Albany, as well as the Dudley Observatory.

Troy is the home of Rensselaer Polytechnic Institute (RPI), outstanding for its science and engineering programs since 1824. Other well known colleges in the Region include Siena (Loudonville), St. Rose (Albany), Skidmore (Saratoga Springs), and Russell Sage (Troy). Supplementing these schools are several two-year colleges which offer technical, agriculture, and business courses in addition to liberal-arts education.

Employing the area's skilled labor force, there are more than fifty-five industrial research laboratories in the Capital Region, operated by both commercial firms and educational institutions among these are the Knolls Atomic Power Laboratory (KAPL Inc. a Lockheed Martin Co.), employing approximately 2,700 locally. General Electric also has several company owned research facilities at Hudson Falls, Schenectady, and Waterford, including its renowned Corporate Research and Development Center in Niskayuna in Schenectady County. Rensselaer Polytechnic Institute (RPI) and Rensselaer Research Corporation, as well as, the State University of New York conduct research on a wide variety of projects for governmental, industrial and other organizations.

Other industrial research firms in the area include Plug Power, Mechanical Technology, Bendix, and Albany International to name a few. Research and development prospects in the region got a boost in 2002, largely as a result of government funding, including over one billion dollars in capital funding in the state budget for high-tech business development to bring new jobs and improve the state's economy. The most significant prospect came from the arrival of International Sematech and other high technology companies to the region that has given the local economy an upward shift.

Much of the impetus for these and other developments has come from significant grants and economic benefits, as well as much improved transportation systems, including recently completed projects for new air and rail passenger terminals in the community.

Unemployment levels for the Capital District have historically remained below state levels, mostly due to a stable government employment base for the area. Within the past several years, a three-building state-of-the-art research and development campus has been developed along Washington Avenue in Albany through the collective efforts of the State University of New York (SUNY), New York State and various technology based industries. This campus has been the focal point of the area's transformation to a more diversified economy that is strong with technology sector interests.

Much of the impetus for these and other developments has come from significant grants and economic benefits, as well as much improved transportation systems, including recently completed projects for new air and rail passenger terminals within the region. Research and development prospects in the region began around 2002 with the announcements from International Sematech and Tokyo Electron that they were investing hundreds of millions of dollars into research facilities in conjunction with the University of Albany, and have greatly flourished since.

By far the most anticipated project has been a semiconductor manufacturing plant constructed at the Luther Forest Technology Campus, town of Malta, Saratoga County.

In March 2009, AMD — in a spinoff of its manufacturing operations — and Emirate of Abu Dhabi launched a new identity as GlobalFoundries, which has constructed a 1.3 million square foot, \$4.6 billion chip manufacturing plant known as Fab 8. The plant already has been expanded by a 221,000 sq.ft. administration building (Admin 2), and offers ample room for future expansions.

Further, GlobalFoundries subsequently announced plans to spend an additional \$2.3 billion for construction of a manufacturing research and development center at Luther Forest, which will add another half million square feet, including 90,000 square feet of cleanroom space and up to 1,000 new high-tech jobs to the plant; meaning the total employed at Fab 8 was projected to be around 3,000 by late 2014, or more than double the initial project estimate.

Once completed, Fab 8 will stand as the most technologically advanced semiconductor manufacturing facility, or wafer fab, in the world and the largest leading-edge semiconductor foundry in the United States, with capacity of approximately 60,000 wafers per month.

The initial anticipation throughout the political and business communities was that development of Fab 8 would have a profound positive impact on the region similar to the technology boom and economic expansion that occurred in Austin, Texas during the 1990s. Although this initial sentiment has since been tempered somewhat by the recent national (and global) economic downturn, all indications are that significant market expansions are underway.

While attention is focused primarily on GlobalFoundries, new developments in technology also are evident throughout the broader market. These are strategic components of the major expansions planned and underway at CNSE, GE, area college campuses, and business parks.

What impact these major developments will have on the local economy is starting to take shape, as a new wave of garden apartments, single-family housing starts, and spinoff commercial and industrial development is starting to reveal itself.

Also, new jobs in the technology sector have, for the most part, offset local job losses in state government. Recently, New York State was ranked No. 3 in the country for high-tech jobs, employing 304,200 people with a payroll of \$25.5 billion (The Business Review). Many of these jobs are now positioned in the Capital District.

Employment in the Capital District has long been led by government, health-care and education, but is now bolstered by a quickly growing technology-sector.

Over the short-term, we expect continuation of negative forces regarding struggling state government (e.g., downsizing workforce and fiscal budget issues) and weakened national economy, with high unemployment, to impact the region. However, over the long-term, advancements in technology and stabilizing government should prevail. Therefore, the forecast for the regional economy is one of long-term stability and economic growth.



## **Culture & Recreation**

In addition to strong commercial and industrial markets which support the region, there are many social inducements which draw residents and visitors, and contribute to an overall high quality of life. The Capital Region is rich in historical, cultural, and recreational attractions. Each year, thousands of tourists visit numerous historical sites throughout the region. The Saratoga State Park and the Saratoga Battleground are recreational areas of exceptional beauty and variety. The Park's Performing Arts Center (summer home of the Philadelphia Orchestra and New York City Ballet) also feature performances by outstanding popular entertainers during the summer months. This Center has added to the charm and attraction of Saratoga, long famous for its mineral baths, thoroughbred and harness racing. Lake George, numerous smaller lakes, the Adirondack Park, ranch resorts and several ski areas are among the variety of recreational opportunities which make the Capital Region a year-round destination location.

## **Conclusion**

There is historical stability to the regional economy. The Capital Region is endowed with many higher educational facilities, a skilled labor force, excellent transportation systems, and land available for development, including scenic, recreational and cultural attractions. The region supports a strong employment base which is led by government, but expanding in the technology and health care sectors. For those reasons, the regions shows stable rent growth and occupancy for virtually all commercial and industrial categories. With the arrival of GlobalFoundries, Sematech and other high technology companies, and the continued growth of the health care sectors, the forecast for the future of the regional economy is one of continued stability and economic growth, with stable to increasing property values throughout the region.

## ***Warren and Washington Counties***

**Warren County** and **Washington County** are located in the northeastern section of New York State on the southeastern edge of the Adirondack mountain range. The total area of the 2-county region is 1,781 square miles including 62 square miles of water, with a population base of 128,923 (2010 census), representing an increase of 3.7% since 2000.

About half of the residents of the 2-county area are living in the city of Glens Falls, villages of Hudson Falls and Fort Edward, and surrounding townships of Queensbury, Fort Edward, and Kingsbury, all of which (except for a portion of Queensbury) lie southeast of the Adirondack Park line.

The northern part of the region is located within the six million acre Adirondack Park, about half of which is privately owned, and half state-owned. The Park provides many recreational opportunities including hiking, fishing, boating, etc.

The **Town of Lake George** is located in the southern section of Warren County, approximately 50 minutes north of Albany.

Overall, the region has shown a propensity for intense tourism, with visitation in the range of 9 million non-residents per year. The forecast is for continued high dependency on tourist trade, which shows no sign of diminishing significantly in the foreseeable future.

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3873 Route 9L, Lake George, N.Y.

## Neighborhood Description and Analysis



esri®

### Site Map on Satellite Imagery - 1.6 Miles Wide

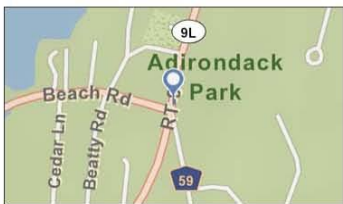
3873 RT 9L, Lake George, New York, 12845

3873 RT 9L, Lake George, New York, 12845

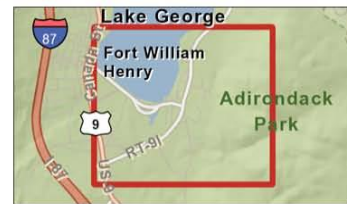
Ring: 2, 5, 10 Miles

Latitude: 43.41727

Longitude: -73.69681



Source: ArcGIS Online World Imagery Basemap

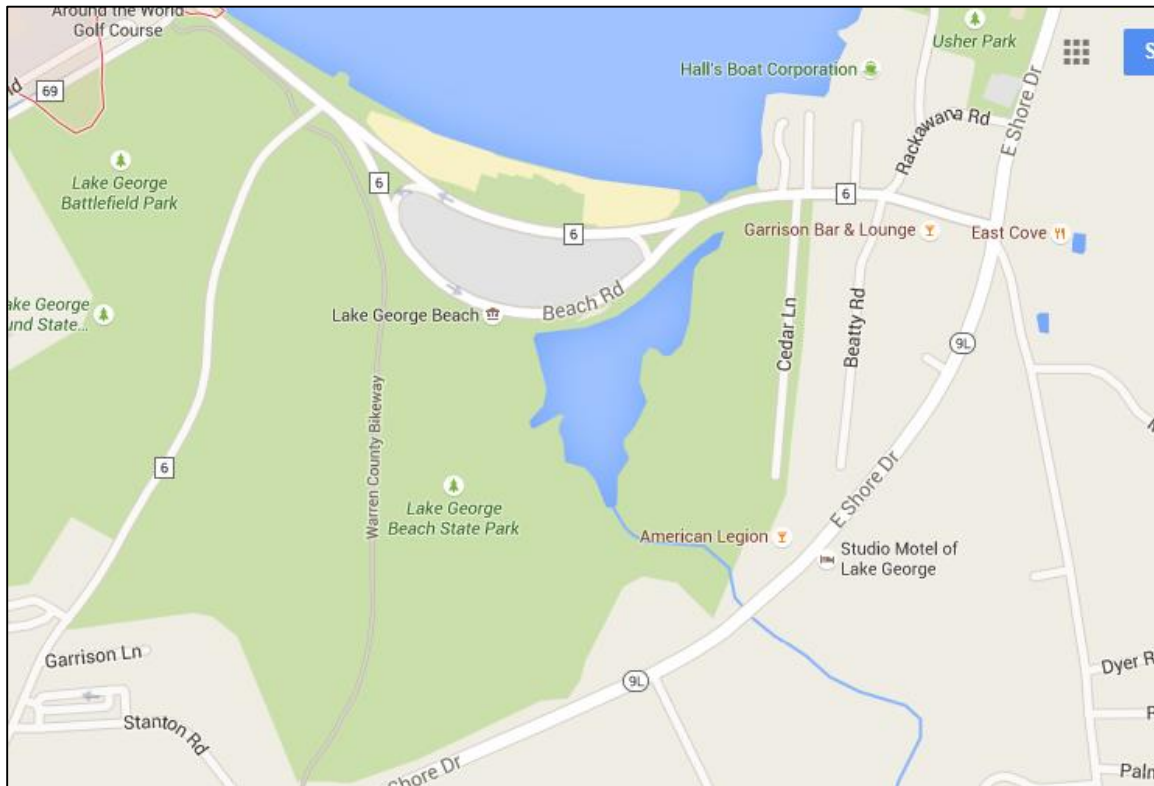


June 25, 2015

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3873 Route 9L, Lake George, N.Y.

The neighborhood is within the town of Lake George, with the subject property being to the southeast of the village's commercial hub along Canada St. The neighborhood is bordered directly to the north and east by the shores of Lake George and to the West by primarily mountainous wilderness areas, with pockets of residential development. Further to the north are several miles of mostly tourism related properties, along Route 9N, until it reaches Bolton Landing, approximately 10 miles away.

Most commercial activity is centered from Canada St. to the lake, with some spot commercial activity within the first block west of Canada St. Development in the area surrounding the subject property is almost entirely tourism related, with numerous motels, bars, restaurants, retail shops and other businesses which rely primarily on the seasonal tourist economy.

The area immediately surrounding the neighborhood is dominated by Lake George Beach State Park, with the main beach within easy walking distance from the subject property.

Overall, the local economy relies primarily on tourism, and the area is considered an international destination for vacationers.

**Utilities and Services:** Utilities available in the neighborhood include municipal water, sewer, natural gas, electricity, cable television and telephone.



**Recent Developments:** After a multi-year process of assembling lots and obtaining approvals, construction of a new Courtyard by Marriot hotel, on the west side of Canada St., is scheduled to begin shortly. Completion is expected in time for the Spring, 2016 season. The new hotel will be six stories tall, with over 100,000 SF of space. It will feature 120 rooms, a restaurant, conference facilities and a banquet hall. The total budget for the project exceeds \$24,000,000. Land and demolition costs alone for an assemblage of .78 acres exceeded \$3,500,000, and an additional .78 acres the owners previously held will also be incorporated into the hotel property. The land sale prices are unprecedented for non-lakefront land in this market. The new hotel is expected to occupy a different niche in the market than the typical older resort properties in the area, seeking to attract business functions, weddings and other large scale catering and conference events on a year-round basis, with room rates in the \$400 per night range. Upon interviewing motel operators and real estate professionals with knowledge of the local market, the consensus is that the new hotel will benefit all the motels and restaurants in the area by introducing new people.



Artist's rendering of proposed Courtyard by Marriot

**Life Cycle:** The subject neighborhood appears to be in a period of growth.

**Economic Summary:** The health of the local economy is not from within, but rather highly dependent on an influx of non-resident tourist visitation. The Lake George/Bolton area is one of the most, if not the most recognized destination region in Upstate New York. However, unlike other communities and economies, it is a seasonal economy which prospers between Memorial Day and Labor Day each year. Consequently, individual property economics are likely to follow this pattern.

Generally, the local tourist economy has fared well throughout the recession, as families opt to spend less on vacation by staying locally, within a day's drive. Although Lake George is an international destination, most visitors still arrive by car from somewhere in the northeastern United States or southeastern Canada. In that vein, the following map, Executive Summary and Disposable Income Profile illustrate the demographics of a population of more than 43,000,000 people within a five hour drive of the subject neighborhood. (Racial and ethnic statistics have been redacted.) This includes almost all of New York State, including New York City and most of Long Island, Boston, all of New England except for Maine, all of New Jersey, Philadelphia, Montreal and Quebec. Median household income in the prescribed area is approximately 19% higher than the national median, and the disposable income profile is also favorable. Going forward, the local economy is expected to continue to prosper.

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3873 Route 9L, Lake George, N.Y.

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## Site Map

East Cove Restaurant  
3873 RT 9L, Lake George, New York, 12845  
Drive Times: 120, 240, 300 minute radii

Latitude: 43.41727  
Longitude: -73.69681



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3873 Route 9L, Lake George, N.Y.



## Executive Summary

East Cove Restaurant  
 3873 RT 9L, Lake George, New York, 12845  
 Drive Times: 120, 240, 300 minute radii

Latitude: 43.41727  
 Longitude: -73.69681

	120 minutes	240 minutes	300 minutes
<b>Population</b>			
2000 Population	1,720,025	29,313,881	41,197,407
2010 Population	1,766,612	30,277,840	42,658,788
2015 Population	1,784,603	30,870,989	43,381,442
2020 Population	1,805,112	31,643,141	44,313,294
2000-2010 Annual Rate	0.27%	0.32%	0.35%
2010-2015 Annual Rate	0.19%	0.37%	0.32%
2015-2020 Annual Rate	0.23%	0.50%	0.43%
2015 Male Population	49.4%	48.6%	48.6%
2015 Female Population	50.6%	51.4%	51.4%
2015 Median Age	42.6	38.8	39.7

In the identified area, the current year population is 43,381,442. In 2010, the Census count in the area was 42,658,788. The rate of change since 2010 was 0.32% annually. The five-year projection for the population in the area is 44,313,294 representing a change of 0.43% annually from 2015 to 2020. Currently, the population is 48.6% male and 51.4% female.

### Median Age

The median age in this area is 42.6, compared to U.S. median age of 37.9.



<b>Households</b>			
2000 Households	683,384	11,050,668	15,437,195
2010 Households	722,980	11,527,087	16,162,426
2015 Total Households	736,862	11,795,895	16,502,096
2020 Total Households	747,908	12,112,086	16,887,240
2000-2010 Annual Rate	0.56%	0.42%	0.46%
2010-2015 Annual Rate	0.36%	0.44%	0.40%
2015-2020 Annual Rate	0.30%	0.53%	0.46%
2015 Average Household Size	2.32	2.54	2.55

The household count in this area has changed from 16,162,426 in 2010 to 16,502,096 in the current year, a change of 0.40% annually. The five-year projection of households is 16,887,240, a change of 0.46% annually from the current year total. Average household size is currently 2.55, compared to 2.56 in the year 2010. The number of families in the current year is 10,703,236 in the specified area.

**Data Note:** Income is expressed in current dollars

**Source:** U.S. Census Bureau, Census 2010 Summary File 1. Esri forecasts for 2015 and 2020. Esri converted Census 2000 data into 2010 geography.

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3873 Route 9L, Lake George, N.Y.



## Executive Summary

East Cove Restaurant  
 3873 RT 9L, Lake George, New York, 12845  
 Drive Times: 120, 240, 300 minute radii

Latitude: 43.41727  
 Longitude: -73.69681

	120 minutes	240 minutes	300 minutes
<b>Median Household Income</b>			
2015 Median Household Income	\$55,159	\$60,782	\$63,116
2020 Median Household Income	\$62,554	\$70,649	\$74,067
2015-2020 Annual Rate	2.55%	3.05%	3.25%
<b>Average Household Income</b>			
2015 Average Household Income	\$73,019	\$87,832	\$89,764
2020 Average Household Income	\$82,740	\$99,897	\$101,978
2015-2020 Annual Rate	2.53%	2.61%	2.58%
<b>Per Capita Income</b>			
2015 Per Capita Income	\$30,527	\$33,888	\$34,453
2020 Per Capita Income	\$34,663	\$38,563	\$39,169
2015-2020 Annual Rate	2.57%	2.62%	2.60%

**Households by Income**  
 Current median household income is \$63,116 in the area, compared to \$53,217 for all U.S. households. Median household income is projected to be \$74,067 in five years, compared to \$60,683 for all U.S. households

Current average household income is \$89,764 in this area, compared to \$74,699 for all U.S. households. Average household income is projected to be \$101,978 in five years, compared to \$84,910 for all U.S. households

Current per capita income is \$34,453 in the area, compared to the U.S. per capita income of \$28,597. The per capita income is projected to be \$39,169 in five years, compared to \$32,501 for all U.S. households

<b>Housing</b>			
2000 Total Housing Units	806,913	11,899,678	16,729,904
2000 Owner Occupied Housing Units	458,607	6,022,227	9,237,325
2000 Renter Occupied Housing Units	224,769	5,028,441	6,199,870
2000 Vacant Housing Units	123,537	849,010	1,292,709
2010 Total Housing Units	866,541	12,679,444	17,891,122
2010 Owner Occupied Housing Units	484,561	6,350,533	9,728,075
2010 Renter Occupied Housing Units	238,422	5,176,554	6,434,351
2010 Vacant Housing Units	143,561	1,152,357	1,728,696
2015 Total Housing Units	889,279	13,014,461	18,320,411
2015 Owner Occupied Housing Units	488,148	6,367,019	9,736,863
2015 Renter Occupied Housing Units	248,714	5,428,876	6,765,233
2015 Vacant Housing Units	152,417	1,218,566	1,818,315
2020 Total Housing Units	905,640	13,358,550	18,746,006
2020 Owner Occupied Housing Units	492,934	6,489,505	9,899,307
2020 Renter Occupied Housing Units	254,974	5,622,581	6,987,933
2020 Vacant Housing Units	157,732	1,246,464	1,858,766

Currently, 53.1% of the 18,320,411 housing units in the area are owner occupied; 36.9% renter occupied; and 9.9% are vacant. Currently, in the U.S., 55.7% of the housing units in the area are owner occupied; 32.8% are renter occupied; and 11.6% are vacant. In 2010, there were 17,891,122 housing units in the area - 54.4% owner occupied, 36.0% renter occupied, and 9.7% vacant. The annual rate of change in housing units since 2010 is 1.06%. Median home value in the area is \$304,186, compared to a median home value of \$200,006 for the U.S. In five years, median value is projected to change by 3.71% annually to \$364,999.

**Data Note:** Income is expressed in current dollars

**Source:** U.S. Census Bureau, Census 2010 Summary File 1. Esri forecasts for 2015 and 2020. Esri converted Census 2000 data into 2010 geography.

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3873 Route 9L, Lake George, N.Y.



## Disposable Income Profile

East Cove Restaurant  
 3873 RT 9L, Lake George, New York, 12845  
 Drive Time: 120 minute radius

Latitude: 43.41727  
 Longitude: -73.69681

	Census 2010	2015	2020	2015-2020 Change	2015-2020 Annual Rate
Population	1,766,612	1,784,603	1,805,112	20,509	0.23%
Median Age	41.4	42.6	43.5	0.9	0.42%
Households	722,980	736,862	747,908	11,046	0.30%
Average Household Size	2.34	2.32	2.32	0.00	0.00%

2015 Households by Disposable Income			Number	Percent
Total			736,862	100.0%
<\$15,000			101,411	13.8%
\$15,000-\$24,999			88,860	12.1%
\$25,000-\$34,999			97,932	13.3%
\$35,000-\$49,999			125,494	17.0%
\$50,000-\$74,999			156,155	21.2%
\$75,000-\$99,999			77,963	10.6%
\$100,000-\$149,999			64,488	8.8%
\$150,000-\$199,999			14,174	1.9%
\$200,000+			10,385	1.4%
Median Disposable Income			\$43,359	
Average Disposable Income			\$55,403	

2015 Disposable Income by Age of Householder	Number of Households						
	<25	25-34	35-44	45-54	55-64	65-74	75+
Total	26,151	95,829	107,606	145,689	157,842	114,162	89,583
<\$15,000	6,681	12,566	9,504	13,216	22,279	16,375	20,790
\$15,000-\$24,999	4,395	12,982	9,147	11,102	18,328	17,630	15,276
\$25,000-\$34,999	4,711	12,624	13,493	14,555	15,058	18,123	19,368
\$35,000-\$49,999	4,554	17,918	17,097	24,283	27,923	17,536	16,183
\$50,000-\$74,999	3,574	23,173	29,052	33,506	32,500	25,242	9,108
\$75,000-\$99,999	1,405	8,689	15,393	21,028	17,992	8,527	4,929
\$100,000-\$149,999	729	6,140	10,064	20,610	16,425	7,494	3,026
\$150,000-\$199,999	80	1,334	2,819	4,001	3,363	1,996	581
\$200,000+	22	403	1,037	3,388	3,974	1,239	322
Median Disposable Income	\$28,408	\$41,793	\$52,454	\$55,105	\$46,708	\$38,271	\$28,565
Average Disposable Income	\$35,668	\$50,219	\$60,958	\$67,838	\$60,656	\$50,266	\$37,045

**Data Note:** Disposable Income is after-tax household income. Disposable income forecasts are based on the Current Population Survey, U.S. Census Bureau. Detail may not sum to totals due to rounding.

**Source:** U.S. Census Bureau, Census 2010 Summary File 1. Esri forecasts for 2015 and 2020.

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3873 Route 9L, Lake George, N.Y.

## Disposable Income Profile

East Cove Restaurant  
3873 RT 9L, Lake George, New York, 12845  
Drive Time: 240 minute radius

Latitude: 43.41727  
Longitude: -73.69681

	Census 2010	2015	2020	2015-2020 Change	2015-2020 Annual Rate
Population	30,277,840	30,870,989	31,643,141	772,152	0.50%
Median Age	38.0	38.8	39.6	0.8	0.41%
Households	11,527,087	11,795,895	12,112,086	316,191	0.53%
Average Household Size	2.54	2.54	2.53	-0.01	-0.08%

2015 Households by Disposable Income			Number	Percent
Total			11,795,650	100.0%
<\$15,000			1,712,913	14.5%
\$15,000-\$24,999			1,247,986	10.6%
\$25,000-\$34,999			1,299,900	11.0%
\$35,000-\$49,999			1,751,490	14.8%
\$50,000-\$74,999			2,287,295	19.4%
\$75,000-\$99,999			1,282,116	10.9%
\$100,000-\$149,999			1,387,534	11.8%
\$150,000-\$199,999			471,202	4.0%
\$200,000+			355,214	3.0%
Median Disposable Income			\$48,696	
Average Disposable Income			\$64,412	

2015 Disposable Income by Age of Householder	Number of Households						
	<25	25-34	35-44	45-54	55-64	65-74	75+
Total	371,975	1,766,178	2,029,778	2,407,664	2,336,802	1,601,630	1,281,623
<\$15,000	93,242	230,191	183,352	220,066	349,586	279,132	357,344
\$15,000-\$24,999	60,726	202,110	157,864	167,359	239,064	229,277	191,586
\$25,000-\$34,999	53,642	204,209	226,813	206,945	185,410	209,158	213,723
\$35,000-\$49,999	63,727	301,753	298,939	321,236	330,586	233,679	201,570
\$50,000-\$74,999	58,131	402,087	480,152	451,818	428,238	304,597	162,272
\$75,000-\$99,999	22,921	187,112	261,251	349,644	263,307	129,010	68,871
\$100,000-\$149,999	16,080	175,274	268,151	416,824	319,890	134,403	56,912
\$150,000-\$199,999	2,140	44,670	103,525	139,329	114,278	49,262	17,998
\$200,000+	1,366	18,772	49,731	134,443	106,443	33,112	11,347
Median Disposable Income	\$30,208	\$46,431	\$55,457	\$63,644	\$52,587	\$39,262	\$28,491
Average Disposable Income	\$39,325	\$57,012	\$69,487	\$81,314	\$71,804	\$55,207	\$40,127

**Data Note:** Disposable Income is after-tax household income. Disposable income forecasts are based on the Current Population Survey, U.S. Census Bureau. Detail may not sum to totals due to rounding.

**Source:** U.S. Census Bureau, Census 2010 Summary File 1. Esri forecasts for 2015 and 2020.

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## Disposable Income Profile

East Cove Restaurant  
3873 RT 9L, Lake George, New York, 12845  
Drive Time: 300 minute radius

Latitude: 43.41727  
Longitude: -73.69681

	Census 2010	2015	2020	2015-2020 Change	2015-2020 Annual Rate
Population	42,658,788	43,381,442	44,313,294	931,852	0.43%
Median Age	38.8	39.7	40.4	0.7	0.35%
Households	16,162,426	16,502,096	16,887,240	385,144	0.46%
Average Household Size	2.56	2.55	2.55	0.00	0.00%

2015 Households by Disposable Income			Number	Percent
Total			16,501,798	100.0%
<\$15,000			2,237,221	13.6%
\$15,000-\$24,999			1,701,332	10.3%
\$25,000-\$34,999			1,790,497	10.9%
\$35,000-\$49,999			2,425,872	14.7%
\$50,000-\$74,999			3,238,051	19.6%
\$75,000-\$99,999			1,881,856	11.4%
\$100,000-\$149,999			2,044,140	12.4%
\$150,000-\$199,999			665,494	4.0%
\$200,000+			517,335	3.1%
Median Disposable Income			\$50,480	
Average Disposable Income			\$65,959	

2015 Disposable Income by Age of Householder	Number of Households						
	<25	25-34	35-44	45-54	55-64	65-74	75+
Total	478,472	2,319,285	2,767,151	3,404,432	3,340,229	2,312,419	1,879,810
<\$15,000	117,646	289,366	234,026	284,849	461,656	366,236	483,442
\$15,000-\$24,999	80,019	257,895	204,562	226,378	323,057	319,341	290,080
\$25,000-\$34,999	69,202	266,528	289,880	280,701	265,547	294,705	323,934
\$35,000-\$49,999	81,725	399,886	399,179	436,037	455,009	352,794	301,242
\$50,000-\$74,999	75,944	542,599	658,013	634,178	627,165	456,589	243,563
\$75,000-\$99,999	29,620	254,463	381,219	519,773	399,117	193,238	104,426
\$100,000-\$149,999	20,169	227,823	389,054	627,018	483,634	206,833	89,609
\$150,000-\$199,999	2,508	56,216	141,269	200,453	165,367	73,429	26,252
\$200,000+	1,639	24,509	69,949	195,045	159,677	49,254	17,262
Median Disposable Income	\$30,247	\$47,318	\$57,177	\$66,776	\$54,778	\$41,246	\$29,288
Average Disposable Income	\$39,256	\$57,339	\$71,141	\$83,327	\$73,980	\$56,920	\$41,177

**Data Note:** Disposable Income is after-tax household income. Disposable income forecasts are based on the Current Population Survey, U.S. Census Bureau. Detail may not sum to totals due to rounding.

**Source:** U.S. Census Bureau, Census 2010 Summary File 1. Esri forecasts for 2015 and 2020.

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## Property Description



The subject is located on a 2.66 +/- acre site, with approximately 225 linear feet of frontage along Route 9N. Access is via two curb cuts, divided by a steel guard rail, and is considered adequate. The site is further improved by a paved parking area and nominal landscaping. The site's location offers close-by access to I-87 and is within short walking distance to the primary public beach in the area. Other bars, restaurants, shopping, amusements and services are located primarily within the village of Lake George, less than five minutes' drive away and reasonably walkable.

The site is generally level in the front, where the restaurant is, and slopes up to the rear, where the cabins are. It is considered functional in size and shape for the current use. Utilities include public water, sewer, electric, cable TV and telephone.

The restaurant building is log construction, built in stages, reportedly beginning in 1962. Total building size is 6,700 SF. It is divided into three rooms: a bar room, main dining room and banquet room. Total seating is reported at 155 people. Finishes are dated but functional, typical of older restaurants in the Adirondack market. There are two kitchens, allowing simultaneous service of restaurant and banquet guests. Condition is considered average overall for similar properties. Plumbing, electrical and HVAC systems are assumed adequate and in good working order.

There are a total of six cabin buildings, also of log construction. Within the six buildings are eight year round residential units, with three 2-bedroom units and five 1-bedroom units. All were reportedly built in the 1960s. Each living unit is reported to be approximately 750 SF, unverified. Upon exterior inspection, all cabins appeared dated, but well maintained, again consistent with market norms. **The extraordinary assumption is made that the interiors of uninspected cabins are consistent in quality and condition to typical older cabin properties found throughout the Lake George market area, with no adverse conditions that would significantly affect value.**

Overall, the improvements are considered similar in quality and condition to most similar properties in the market area.

## Subject Photos

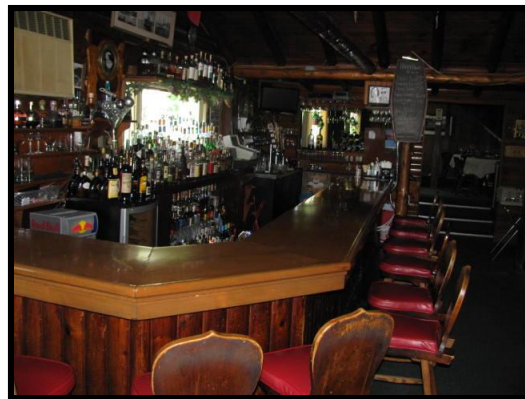




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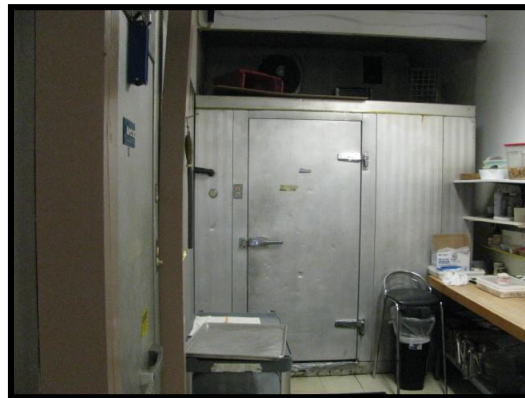


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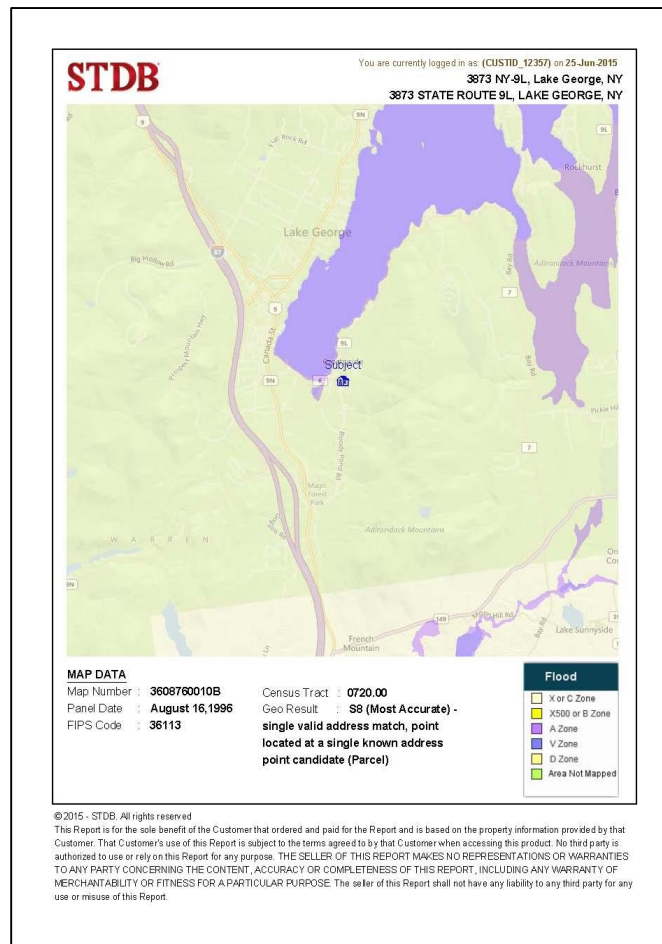


## Environmental

In this appraisal assignment, except as discussed below, the existence of potentially hazardous material that may be used in the construction or maintenance of the buildings, and/or the existence of toxic waste, which may or may not be present on the property, has not been considered. I am not qualified to detect such substances and urge you to retain an expert in this field, if desired. I am not aware of any environmental studies of the property. However, I am not possessed of any information to suggest that there have been any environmental problems associated with the property and there were no obvious signs of environmental problems apparent to the untrained eye at the time of inspection. Further concerns should be addressed to an appropriate expert.

### Flood Plain

The property lies within the area of FEMS flood map Panel 3609760010B, dated August 16, 1996, and is not in a flood hazard area, as indicated below.



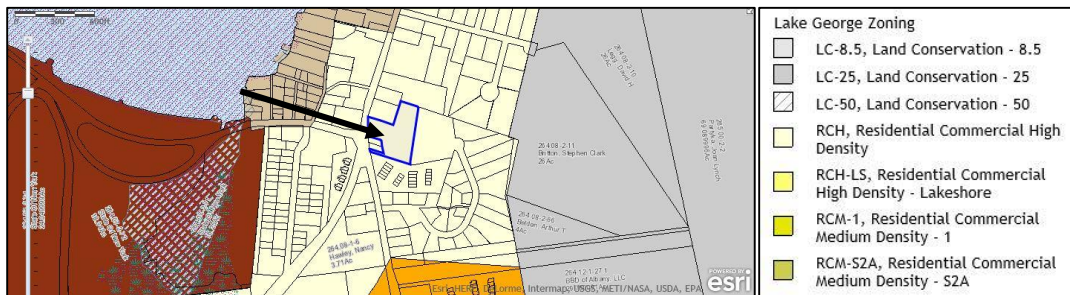
## Tax Analysis

The assessments and tax loads for each of the three parcels is set forth below. In light of the value opinion expressed herein, the assessments are considered slightly low.

Tax Map #	Assessment	Equalization Rate	Assessor's Estimate of Fair Market Value	County Tax Rate (per \$1,000 Assessed Value)	Town Tax Rate (per \$1,000 Assessed Value)	Fire (per \$1,000 Assessed Value)	School Tax Rate (per \$1,000 Assessed Value)	Total Tax Rate (per \$1,000 Assessed Value)	Total Taxes
264.8-2-30	\$729,000	100%	\$729,000	3.759	1.525	0.415	6.594	12.293	\$8,962
264.8-2-31	\$42,300	100%	\$42,300	3.759	1.525	0.415	6.594	12.293	\$520
264.8-2-32	\$42,300	100%	\$42,300	3.759	1.525	0.415	6.594	12.293	\$520
<b>Total</b>	<b>\$813,600</b>		<b>\$813,600</b>						<b>\$10,002</b>

## Zoning Analysis

Pursuant to the zoning ordinance of the town of Lake George, the subject property is zoned RCH (Residential Commercial High Density), as illustrated below. The existing improvements and uses are considered legal and conforming, with site plan review. In the event the cabins are converted to seasonal tourist use, that would be similarly legal.



**NOTE:** The above analysis is not intended as a legal opinion regarding an interpretation of the zoning ordinance, which may only be offered by an attorney-at-law. It is merely an overview of the relevant provisions of the ordinance, in light of the improvements as they exist on the property. The opinions in this section would be subject to change in the event of a qualified attorney performed a detailed analysis of the ordinance and the possibilities for uses thereunder, which may or may not conflict with the opinions set forth herein.

## Highest and Best Use Analysis

Highest and best use may be defined as the reasonably probable and legal use of vacant land or improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value.

- **Permissible Use.** What uses are permitted by zoning and other legal restrictions?
- **Possible Use.** To what use is the site physically adaptable?
- **Feasible Use.** Which possible and permissible use will produce any net return to the owner of the site?
- **Maximally Productive.** Among the feasible uses which use will produce the highest net return, (i.e., the highest present worth)?

### Highest and Best Use As Vacant

The subject property is considered *physically* supportive of development by virtue of its size, shape, frontage, topography, soil conditions (i.e., based on surrounding development), and other characteristics that are apparent by inspection of the site and surrounding areas.

The property is subject to a zoning ordinance, so that *legal* uses would be limited to uses permitted by the ordinance or approval of municipal officials. There are no reported deed nor other restrictions that could serve to limit the utility or value of the subject property.

All physically possible and legally permissible uses that are expected to produce a positive return are regarded as *financially feasible*. The subject parcel is located in a primarily tourist related area of development, with commercial zoning. Based on the above and all available data for the subject area, the subject property's *maximally productive use* and therefore, highest and best use, is considered to be **Tourism Related Development**.

### Highest and Best Use As Improved

In consideration of the preceding factors, while cognizant of all possible legal and feasible uses available for the subject property, it is the appraiser's opinion that the highest and best use of the property, as improved, is for continued use as a **restaurant and cabins**. Conversion of the cabins to seasonal tourist use would generate more income and require more management, but is likely the maximally productive use of the property, "as is."

## Valuation Methodology

Three basic approaches may be used to arrive at an opinion of market value. They are:

- The Cost Approach
- The Income Approach
- The Sales Comparison Approach

This appraisal includes the following:

- Cost Approach: This approach has not been developed. For older properties such as the subject, it is difficult to accurately estimate accrued depreciation and any value opinion derived from the Cost Approach for the subject property would not be considered a reliable indicator of market value. Further, market participants would give little or no weight to any value indication derived from the Cost Approach, for an older property such as the subject.
- Sales Comparison Approach: The Sales Comparison Approach has been fully developed.
- Income Approach: This approach is of limited application to a property such as the subject, since the most likely purchaser would be an owner-operator of the restaurant. Nevertheless, the client has requested an income approach analysis, and it has been fully developed.

## **Sales Comparison Approach**

In order to estimate the value of the overall property by the sales comparison approach, I will take a bifurcated approach. In the first step, I will estimate the value of the restaurant portion of the property, through comparison to sales of other restaurant properties. That value will then be adjusted for the value contribution of the cabins, based on their income potential.

In developing a value estimate for the restaurant portion of the property, I have considered three sales of comparable properties in the Lake George/Queensbury market area. A summary of each sale is set forth below, followed by an analysis grid, comparing the subject property to each of the sold properties.

Exhibit 1 - Appraisal Page 38 of 67  
3873 Route 9L, Lake George, N.Y.**Improved Sale No. 1****Property Identification**

<b>Record ID</b>	1988
<b>Property Type</b>	Commercial, Restaurant
<b>Property Name</b>	Garrison Restaurant and Bar
<b>Address</b>	220 Beach Rd., Queensbury (T/O), Warren County, New York
<b>Tax ID</b>	264.8-1-28.1

**Sale Data**

<b>Grantor</b>	Artsmith Rental Properties
<b>Grantee</b>	Beach Road Properties, LLC
<b>Sale Date</b>	July 25, 2013
<b>Deed Book/Page</b>	4817/242
<b>Property Rights</b>	Fee Simple
<b>Marketing Time</b>	224 Days
<b>Financing</b>	Cash
<b>Verification</b>	Kelly Hayes (LA); June 29, 2015; Other sources: MLS, County, Landmax, Inspection, Confirmed by James O'Neill
<b>Sale Price</b>	\$600,000

**Land Data**

<b>Land Size</b>	1.480 Acres or 64,469 SF
<b>Zoning</b>	RCH, Commercial & Residential
<b>Topography</b>	Sloped
<b>Utilities</b>	All municipal

**General Physical Data**

<b>Building Type</b>	Single Tenant
<b>Gross SF</b>	2,730
<b>Construction Type</b>	Log

Exhibit 1 - Appraisal Page 39 of 67  
3873 Route 9L, Lake George, N.Y.**Improved Sale No. 1 (Cont.)**

<b>Roof Type</b>	Pitched Shingle
<b>Foundation</b>	Concrete Block Basement
<b>Stories</b>	1
<b>Condition</b>	Average

**Indicators**

<b>Sale Price/Gross SF</b>	\$219.78
<b>Floor Area Ratio</b>	0.04
<b>Land to Building Ratio</b>	23.61:1

**Remarks**

Sale of the Garrison Restaurant, approximately a quarter mile east of Lake George Beach, near the intersection of Route 9L. The property was in business at the time of sale, and total compensation was \$600,000, with \$10,000 allocated to FF&E and use of the business name. The restaurant was a popular spot in the area, for both locals and tourists, and the good will and FF&E is considered to have significant value beyond the \$10,000 allocation. Property featured new roof and sidewalk and was marketed in part as a potential development site, with room for the restaurant and another business.

Exhibit 1 - Appraisal Page 40 of 67  
3873 Route 9L, Lake George, N.Y.**Improved Sale No. 2****Property Identification**

<b>Record ID</b>	1989
<b>Property Type</b>	Commercial, Restaurant
<b>Property Name</b>	Charlie's BBQ Restaurant
<b>Address</b>	990 Route 149, Queensbury (T/O), Warren County, New York
<b>Tax ID</b>	279.-1-8
<b>Market Type</b>	Fee Simple

**Sale Data**

<b>Grantor</b>	Catherine Hoertkorn, et al.
<b>Grantee</b>	JHKSAK, LLC
<b>Sale Date</b>	December 06, 2013
<b>Deed Book/Page</b>	4917/267
<b>Marketing Time</b>	111 Days
<b>Financing</b>	Cash to Seller
<b>Verification</b>	Dan Britten (LA); June 29, 2015; Other sources: MLS, County, Landmax, Inspection, Confirmed by James O'Neill

<b>Sale Price</b>	\$300,000
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**Land Data**

<b>Land Size</b>	3.650 Acres or 158,994 SF
<b>Zoning</b>	Commercial
<b>Topography</b>	Generally level
<b>Utilities</b>	Well and Septic

**General Physical Data**

<b>Building Type</b>	Single Tenant
<b>Gross SF</b>	3,063



Exhibit 1 - Appraisal Page 41 of 67  
3873 Route 9L, Lake George, N.Y.**Improved Sale No. 2 (Cont.)**

<b>Construction Type</b>	Wood Frame
<b>Roof Type</b>	Pitched metal
<b>Foundation</b>	Slab/Partial basement
<b>Stories</b>	1

**Indicators**

<b>Sale Price/Gross SF</b>	\$97.94
<b>Floor Area Ratio</b>	0.02
<b>Land to Building Ratio</b>	51.91:1

**Remarks**

Former Charlie's BBQ, next door to the Adirondack Pub. The business was already closed at time of sale, but condition was reported as average. Sale price included FF&E, with unspecified value. At time of inspection, property remained vacant.

**Exhibit 1 - Appraisal Page 42 of 67**  
3873 Route 9L, Lake George, N.Y.

**Improved Sale No. 3**



**Property Identification**

<b>Record ID</b>	1660
<b>Property Type</b>	Commercial, Restaurant
<b>Property Name</b>	Restaurant

<b>Address</b>	994 State Route 9, Queensbury (T/O), Warren County, New York
<b>Tax ID</b>	296.13-1-66

**Sale Data**

<b>Grantor</b>	North Side Properties LLC
<b>Grantee</b>	Switchco LLC
<b>Closing Date</b>	April 20, 2013
<b>Property Rights</b>	Leased fee
<b>Conditions of Sale</b>	Arm's length
<b>Financing</b>	Conventional bank financed
<b>Verification</b>	Robert Sears (Realtor); Other sources: Contract, appraisal, Confirmed by M. J. Ardman

<b>Contract Price</b>	\$515,000
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**Land Data**

<b>Land Size</b>	1.510 Acres or 65,776 SF
<b>Front Footage</b>	300 ft Route 9

**Exhibit 1 - Appraisal Page 43 of 67**  
3873 Route 9L, Lake George, N.Y.

**Utilities** All public services

**General Physical Data**

**Building Type** Single Tenant  
**Gross SF** 6,321 Sq.ft.

**Construction Type** Block  
**Roof Type** Membrane  
**Foundation** Slab on grade  
**HVAC** HW BB and GFA  
**Year Built** 1975  
**Condition** Fair to average

**Income Analysis**

**Net Operating Income** \$49,237 5-year level inc

**Indicators**

**Sale Price/Gross SF** \$81.47  
**Floor Area Ratio** 0.10  
**Land to Building Ratio** 10.41:1  
**Occupancy at Sale** 100%  
**Overall or Cap Rate** 9.56%  
**Net Operating Income/Sq. Ft.** \$7.79

**Remarks**

Free-standing restaurant on the E/S of RT 9 between I-87 Exits 19 and 20 in Queensbury (north of the area's commercial hub and south of the major tourist destinations). Block building with Oriental design accents, d/b/a Chinatown Chinese Restaurant. Owner/operator for 15+/- years entered into a sale/leaseback necessitated by financial motivations, with the mortgagee agreeing to a short-sale. Leaseback is for 5 years, plus 5-year option, with rent starting at \$84,000 (modified gross) and escalating approximately 5% per year. Cap rate based on PV of 5-year level NOI. The sale and lease are "as is where is", but the building exhibits deferred maintenance, as well as dated and worn interior finishes. The purchaser/landlord is only responsible for building repairs that exceed \$2,000, so the tenant is mostly responsible for needed repairs. Sq.ft. measurement excludes a perimeter shed with transparent roof and a T-111 shed with walk-in cooler (neither is heated or regarded interior space). The property was conventionally marketed through a local broker, and the sale and lease are arm's length.

## Location Maps



Overview



Detail

Exhibit 1 - Appraisal Page 45 of 67  
3873 Route 9L, Lake George, N.Y.

IMPROVED SALES ADJUSTMENT GRID				
ELEMENT	SUBJECT	SALE 1	SALE 2	SALE 3
<i>by HafVal</i>				
ADDRESS	3873 Route 9L	220 Beach Rd.	990 Route 149	994 Route 9
	Lake George	Lake George	Queensbury	Queensbury
SALE PRICE	n/a	\$600,000	\$300,000	\$515,000
PROPERTY RIGHTS APPRAISED	Fee Simple	Fee Simple	Fee Simple	Leased Fee
adjustment		0.00%	0.00%	0.00%
adjusted price †		\$600,000	\$300,000	\$515,000
FINANCING & SALE CONDITIONS	Market	Cash to Seller	Cash to Seller	Cash to Seller
adjustment		0.00%	0.00%	0.00%
adjusted price ‡		\$600,000	\$300,000	\$515,000
BUYER EXPENDITURES		None	None	None
adjustment		\$0	\$0	\$0
adjusted price ††		\$600,000	\$300,000	\$515,000
MARKET CONDITIONS	6/19/2015	7/25/2013	12/6/2013	4/20/2013
adjustment		\$0	\$0	\$0
adjusted price ‡‡		\$600,000	\$300,000	\$515,000
ADJUSTED PRICE PER SQUARE FOOT		\$219.78	\$97.94	\$81.47
LOCATION	Average	Superior	Inferior	Equivalent
site area (acres)	2.2	1.48	3.65	1.2
land-to-building ratio ( : 1 )	14.30	23.61	51.91	8.27
adjustment		-10.0%	10.0%	10.0%
SITE IMPROVMENTS	Average	Similar	Similar	Similar
adjustment		0.0%	0.0%	0.0%
STRUCTURE				
size(sq.ft.)	6,700	2,730	3,063	6,321
description	Restaurant	Restaurant	Restaurant	Restaurant
quality	Average	Similar	Similar	Similar
utility	Average	Similar	Similar	Similar
market appeal	Average	Similar	Similar	Similar
adjustment		-10.0%	-10.0%	0.0%
AGE & CONDITION	1962/Average	Unknown/Superior	Unknown/Inferior	1975/Inferior
adjustment		-5.0%	15.0%	10.0%
OTHER	None	FF&E/Good Will	FF&E	None
adjustment		-20.0%	-2.0%	0.0%
OTHER	None	None	None	None
adjustment		0.0%	0.0%	0.0%
NET ADJUSTMENTS		-45.0%	13.0%	20.0%
FINAL ADJUSTED PRICE PER SQUARE FOOT		\$120.88	\$110.68	\$97.77
*calculations my very due to rounding				

## Explanation of Adjustments

**Sale Selection:** All three sales are restaurant properties in the Lake George/Queensbury market area. Sale 1 is across the street from the subject. These were the best comparable sales available in the market and all are considered to be good indicators of value.

**Sale Date:** All three sales were transacted close enough to the effective date of valuation so as not to require any adjustment for market conditions.

**Location/Land:** Sale 1 is across the street from the subject, a few hundred feet down Beach Road. Nevertheless, it is considered superior in location, because it is the first restaurant beachgoers encounter as they leave the beach area. This is especially significant to the many pedestrians in season, due to the steep terrain in the area. It also has a superior land to building ratio. It required a downward adjustment of 10%. Sale 2 was considered inferior in location to the subject. Although on a main road, near the intersection with Route 9L, its visibility is limited due to trees between it and the intersection. Also, travelers on either Route 149 eastbound or Route 9L in either direction will first encounter the Adirondack Pub at the intersection. This is a long time popular bar and restaurant serving locals and tourists, and would be considered as superior competition right next door. This was offset to a degree by a superior land to building ratio. On balance, it required an upward adjustment of 10%. Sale 3 was considered equivalent in location to the subject, somewhat removed from centers of tourist activity, but on a more heavily trafficked road in a more year-round neighborhood. It had a lower land to building ratio, with no realistic option of further development. On balance, it required an upward adjustment of 10%. **NOTE: In analyzing the land value of the subject, I have excluded the .46 acres encumbered by the ground lease.**

**Structure:** All three sales were considered similar in quality, utility and market appeal to the subject. However, Sales 1 and 2 were significantly smaller than the subject and required downward adjustments of 10% to account for economies of scale.

**Condition:** Sale 1 was considered superior in condition to the subject, with recent improvements, and required a downward adjustment of 5%. Sales 2 and 3 were considered inferior in condition, to different degrees, and required upward adjustments of 15% and 10%, respectively.

**Other:** Sale 1 included the business good will and all FF&E. Although the parties decided to allocate only \$10,000 to those assets, in my opinion the true value was substantially higher. Thus, it required a downward adjustment of 20%. Sale 2 included FF&E of nominal value, and required a downward adjustment of 2%.

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3873 Route 9L, Lake George, N.Y.

**Conclusion:** Based on the above analysis, and placing most weight on Sale 1, I have reconciled to a value of **\$110.00 per Square Foot**, for the restaurant portion of the property, as of June 19, 2015, subject to the Limiting Conditions and Assumptions of this appraisal. Therefore:

$$\underline{\$110.00/\text{SF}} \quad \times \quad \underline{6,700 \text{ SF}} \quad = \quad \underline{\$737,000 (\$740,000 - \text{rounded})}$$

***Contribution of the cabins to the overall value***

In estimating the value contribution of the cabins to the overall value of the property, I have considered the following sales of cabin/cottage properties in Lake George.

Address	Date of Sale	Sale Price	Units	Price per Unit	Comments
1779 Route 9	5/20/14	\$215,000	12	\$17,917	Five acre property with 7 seasonal cabins (10 units), a 750 Sf year round house and a 1,276 SF year round house.
2888 Route 9	8/8/12	\$400,000	13	\$30,769	Three acre property with 12 cottages and a 4 bed, 3 bath year round house. Two of the cottages are year round units. Property also features a pool.
2888 Route 9	3/2/15	\$345,000	13	\$26,538	Same property as above, but all units had been updated and heated. House was also updated. Original asking price was \$499,500. Circumstances suggest some distress on part of seller.
85 Mohican St.	8/27/12	\$337,500	11	\$30,682	Eight year round cottages and three year round apartments in the village. Purchaser intended to redevelop with a modern apartment building.

The above data suggests a market value of approximately \$30,000 per unit for a year round cabin property in Lake George. However, a typical purchaser of the restaurant portion of the property would not necessarily have an interest in managing cabins, and would probably not pay the same amount for the cabins as part of a package than an investor primarily seeking a cabin property. Also, the land value of the overall property has already been taken into account when estimating the value of the restaurant portion of

the property, and must be taken out of the equation to avoid double dipping. Accordingly, it is my opinion that the preliminary estimate of \$30,000 per unit should be reduced by a third, resulting in a value contribution of \$20,000 per unit, or \$160,000 for the subject's 8 units.

**Accordingly, it is my opinion that the market value indication for the overall property, by the Sales Comparison Approach, is \$900,000.**



## **Income Approach**

Real Estate is a “capital good”. This means that the benefits from owning it – whether in the form of money income or amenities, or both – are received over a prolonged period. In all economic and investment analyses, the value of the capital good is established and measured by calculating the “present worth”, as of a particular valuation date, or anticipated future benefits (income) to the owner over a specified period.

As with the Sales Comparison Approach, I will derive a value indication by the Income Approach in a bifurcated fashion, estimating the value of the restaurant portion of the property and adjusting that value by the contribution of the cabins, as developed above.

The first step in development of the income approach is estimation of both Potential Gross Income (PGI) and Effective Gross Income (EGI), which is the PGI, adjusted for reasonably projected vacancy and collection losses.

In estimating market rent, I have researched known leases of restaurant properties in the Capital Region. The available data is less reliable than that used for the Sales Comparison Approach, because older restaurant properties like the subject are typically owner-operated and there is little in the way of reliable rental data available. Accordingly, the search was expanded to the entire Capital District.

The following leases have been considered:

Exhibit 1 - Appraisal Page 50 of 67  
3873 Route 9L, Lake George, N.Y.**Improved Lease No. 1****Property Identification**

<b>Record ID</b>	444
<b>Property Type</b>	Commercial, Restaurant
<b>Property Name</b>	Restaurant

<b>Address</b>	994 State Route 9, Queensbury (T/O), Warren County, New York
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<b>Tax ID</b>	296.13-1-66
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**Physical Data**

<b>Gross SF</b>	6,321
<b>Gross SF</b>	6,321

<b>Construction Type</b>	Painted block
<b>Roof Type</b>	Membrane
<b>Foundation</b>	Slab on grade
<b>HVAC</b>	HW BB and GFA
<b>Year Built</b>	1975
<b>Condition</b>	Fair to average

**General Lease Data**

<b>Tenant</b>	d/b/a Chinatown Chinese Restaurant
<b>Typical Lease Term</b>	Five years

**Exhibit 1 - Appraisal Page 51 of 67**  
3873 Route 9L, Lake George, N.Y.

**Lease Type** Modified gross

**General Tenant Summary**

<b>Owner</b>	Switchco LLC
<b>Verification</b>	Bob Sears (Realtor); April 02, 2013; Other sources: Lease, Confirmed by M. J. Ardman
<b>Tenant Improvements</b>	No leasehold work by LL
<b>Escalations</b>	Approx. 5% per year
<b>Renewals</b>	(1) 5-year renewal option
<b>Tenant Expenses</b>	Daily maintenance, utilities &

**Rent Analysis**

**Actual Rent** \$14.48/SF Average

**Remarks**

Restaurant located on the E/S of Route 9 in Queensbury, between I-87 Exits 19 and 20. Rental is part of a pending sale/leaseback in which the purchaser/investor will pay taxes and building insurance, plus any building repairs that exceed \$2,000. The lessee is a long-term operator at this property, which draws business from local residents and seasonal tourism. The building exhibits dated finishes. Sq.ft. measurement excludes attached shed structures (one supports walk-in cooler). The rental commenced on or about April 30, 2013.

Exhibit 1 - Appraisal Page 52 of 67  
3873 Route 9L, Lake George, N.Y.**Improved Lease No. 2****Property Identification**

<b>Record ID</b>	471
<b>Property Type</b>	Commercial, Restaurant
<b>Property Name</b>	Restaurant
<b>Address</b>	3246 US Route 9, Saratoga (C/O), Saratoga County, New York
<b>Tax ID</b>	191-2-51

**Physical Data**

<b>SF</b>	7,252
<b>SF</b>	7,252
<b>Construction Type</b>	Brick/Frame
<b>Roof Type</b>	Gable
<b>Foundation</b>	Concrete Slab
<b>Stories</b>	2
<b>Year Built</b>	1972
<b>Condition</b>	Average(Fair)

**General Lease Data**

<b>Tenant</b>	Tom Dillon
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**Exhibit 1 - Appraisal Page 53 of 67**  
3873 Route 9L, Lake George, N.Y.

**Typical Lease Term** 5 Years  
**Lease Type** NNN

**General Tenant Summary**

**Owner** El Mondo Properties, LLC  
**Verification** Owner/Lease; June 28, 2013; Confirmed by W. Hafner, Jr.  
**Renewals** None.

**Rent Analysis**

**Actual Rent** \$9.10/SF Average

**Remarks**

Rental of the former Big Apple Restaurant on US Route 9 in Saratoga Springs (Outer District) about 1.5 miles west of Exit 13. Tenant is the former owner of Siro's and has reopened at this location as "Jack Dillon's Farm to Fork Cuisine". The restaurant/banquet hall has a seating capacity of 220 people. The restaurant is in average overall condition. On the 2nd floor is an old apartment that is used for storage (not included in overall SF). In addition, there is a 2-Car, detached garage for tenant use. Lease commenced April 1, 2013 and runs through March 30, 2018 (no renewal options). The annual rent is \$66,000 (\$5,500 per month) with no escalations. Expenses are NNN.



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3873 Route 9L, Lake George, N.Y.**Improved Lease No. 3****Property Identification**

<b>Record ID</b>	371
<b>Property Type</b>	Commercial, Restaurant
<b>Property Name</b>	The Barrel Saloon
<b>Address</b>	942 Broadway, Albany, Albany County, New York
<b>Tax ID</b>	65.16-3-2

**Physical Data**

<b>Land Size</b>	0.140 Acres or 6,098 SF
<b>Gross SF</b>	2,398
<b>Net SF</b>	2,398

<b>Construction Type</b>	Brick/Masonry
<b>Roof Type</b>	Flat
<b>Foundation</b>	Full Basement
<b>Electrical</b>	New electrical
<b>HVAC</b>	New HVAC
<b>Stories</b>	1
<b>Year Built</b>	1920 Remodeled 2011
<b>Condition</b>	Good-Excellent

**Exhibit 1 - Appraisal Page 55 of 67**  
3873 Route 9L, Lake George, N.Y.

**General Lease Data**

<b>Tenant</b>	Chris Pratt
<b>Typical Lease Term</b>	Commenced 3/1/2011; Two (2) Year Lease + (2) 4-Year Options
<b>Lease Type</b>	NNN

**General Tenant Summary**

<b>Owner</b>	Wolff's Real Estate, LLC
<b>Verification</b>	Matthew Baumgartner; July 28, 2011; Other sources: Inspection/MLS/Lease, Confirmed by W. Hafner, Jr.
<b>Rent Concessions</b>	None
<b>Tenant Expenses</b>	Taxes, Ins., Maint., Utilities

**Rent Analysis**

<b>Actual Rent</b>	\$12.51 - \$21.27/SF; \$16.89/SF Average
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**Remarks**

Rental of 942 Broadway in Albany. The property is a former bank building that was used as a print shop in the 1990s and was converted to a night club in 2001, which subsequently closed. The building was vacant for a number of years and was recently purchased in September 2010 and was then completely renovated, including all new mechanicals and finishes. The property has a full basement that is used for storage, walk-in coolers and freezers. There is no onsite parking, however there is ample street parking available, as well as a vacant lot across the street. There is a small patio in the rear of the building with picnic tables.

The property is being used as a bar/restaurant known as "The Barrel Saloon". The term of the lease is 2 years with (2) 4-year renewal options. The lease is a NNN lease, with the tenant being responsible for taxes, insurance, utilities, and maintenance. The rent schedule is as follows:

Year 1: \$2,500/mo.; Year 2: \$2,750/mo.; Year 3: \$3,000/mo.; Year 4: \$3,250/mo.; Year 5: \$3,500/mo.; Year 6: \$3,750/mo.; Year 7: \$4,000/mo.; Year 8: \$4,250/mo.

The average rent over the term, and assuming renewal options are exercised, is \$3,375/mo. or \$40,500/year.

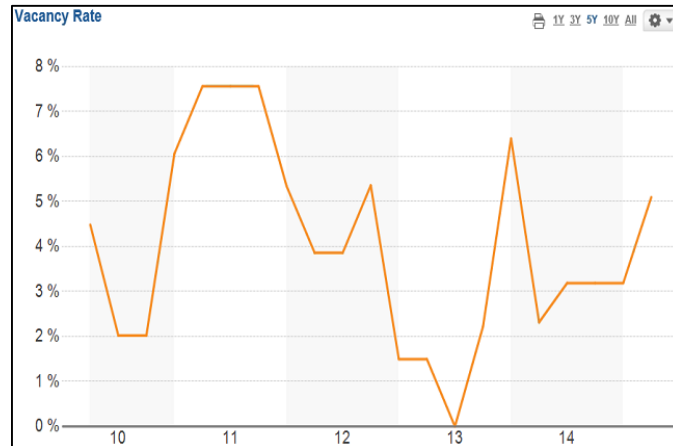
As per the lease there are no rental concessions, however there is a right of refusal clause.

**Exhibit 1 - Appraisal Page 56 of 67**  
3873 Route 9L, Lake George, N.Y.

Based upon the available data, taking into consideration the age and location of the subject property, including the fact that it is in a highly seasonal area, it is my opinion that market rent for the subject property is \$14.00 per SF, on a triple net basis. In order to account for vacancy and credit losses for those expenses to be reimbursed by tenants, such as maintenance, utilities and real estate taxes, those reimbursements will be included as additional income, and offset as an expense line item when calculating Net Operating Income (NOI). Reimbursable expenses have been estimated at \$3.00 per SF, consistent with market norms, taking into account the relatively low tax rate in Lake George. Thus, PGI may be calculated as follows:

<b>Potential Gross Income</b>		
	Market Rent	\$93,800
	Reimbursable expenses (\$3.00 per SF)	\$20,100
	<b>Total Income</b>	<b>\$113,900</b>

Having estimated PGI, the next step is to estimate EGI by applying a vacancy and collection loss factor. Statistics maintained by CoStar, Inc. for 35 restaurant properties in Lake George show that vacancy has generally remained approximately 5% over the past several years, as illustrated below.



Based upon the available data, it is my opinion that a vacancy and collection loss factor of 5% would be most reflective of investor expectations for the subject property. PGI and EGI may now be represented as follows:

<b>Potential Gross Income</b>		
	Market Rent	\$93,800
	Reimbursable expenses (\$3.00 per SF)	\$20,100
	<b>Total Income</b>	<b>\$113,900</b>
<b>Economic Losses:</b>		
	Vacancy & Collection @ 5% PGI	\$5,695
	<b>Effective Gross Income</b>	<b>\$108,205</b>



**Exhibit 1 - Appraisal Page 57 of 67**  
3873 Route 9L, Lake George, N.Y.

Having estimated EGI, the next step is to consider reasonably projected operating expenses, to derive NOI. The following Reconstructed Operating Statement sets forth the calculations.

Reimbursable expenses have been included at \$3.00 per SF, consistent with the development of the PGI.

Management expenses for this type property generally run between 3% and 5% of EGI. I have estimated this expense at 4% of EGI.

Reserves have been estimated at 2% of EGI, in light of the age of the property.

Reconstructed Operating Statement		
<b>Potential Gross Income</b>		
	Market Rent	\$93,800
	Reimbursable expenses (\$3.00 per SF)	\$20,100
	<b>Total Income</b>	<b>\$113,900</b>
<b>Economic Losses:</b>		
	Vacancy & Collection @ 5% PGI	\$5,695
	<b>Effective Gross Income</b>	<b>\$108,205</b>
<b>Operating Expenses</b>		
	Reimbursable expenses (\$3.00 per SF)	\$20,100
	Management (4% EGI)	\$4,328
	Reserves (2% EGI)	\$2,164
	<b>Total Expenses</b>	<b>\$26,592</b>
	<b>Net Operating Income</b>	<b>\$81,613</b>

Having estimated the property's projected NOI, the next step is to select an appropriate capitalization rate.

Restaurant properties are high risk ventures. Accordingly, capitalization rates are typically higher than for other commercial properties. Since older restaurant properties such as the subject rarely sell in the leased fee estate, there is little in the way of local data for relevant capitalization rates. One relevant sale is 994 Route 9, Queensbury, analyzed as Sale 3 in the Sales Comparison Approach, which sold with a capitalization rate of 9.56%.

Statistics reported by RealtyRates.com in the 2<sup>nd</sup> quarter, 2015 for full service restaurants are summarized below.

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3873 Route 9L, Lake George, N.Y.

RealtyRates.com INVESTOR SURVEY - 2nd Quarter 2015*						
RESTAURANTS - FULL SERVICE						
Item	Input					OAR
<b>Minimum</b>						
Spread Over 10-Year Treasury	2.34%	DCR Technique	1.40	0.074757	0.60	<b>6.28</b>
Debt Coverage Ratio	1.40	<b>Band of Investment Technique</b>				
Interest Rate	4.32%	Mortgage	60%	0.074757	0.044854	
Amortization	20	Equity	40%	0.107120	0.042848	
Mortgage Constant	0.074757	OAR				<b>8.77</b>
Loan-to-Value Ratio	60%	<b>Surveyed Rates</b>				<b>8.42</b>
Equity Dividend Rate	10.71%					
<b>Maximum</b>						
Spread Over 10-Year Treasury	11.52%	DCR Technique	2.25	0.155798	0.50	<b>17.53</b>
Debt Coverage Ratio	2.25	<b>Band of Investment Technique</b>				
Interest Rate	13.50%	Mortgage	50%	0.155798	0.077899	
Amortization	15	Equity	50%	0.203841	0.101920	
Mortgage Constant	0.155798	OAR				<b>17.98</b>
Loan-to-Value Ratio	50%	<b>Surveyed Rates</b>				<b>17.08</b>
Equity Dividend Rate	20.38%					
<b>Average</b>						
Spread Over 10-Year Treasury	6.93%	DCR Technique	1.83	0.113001	0.55	<b>11.34</b>
Debt Coverage Ratio	1.83	<b>Band of Investment Technique</b>				
Interest Rate	8.91%	Mortgage	55%	0.113001	0.062150	
Amortization	18	Equity	45%	0.150644	0.067790	
Mortgage Constant	0.113001	OAR				<b>12.99</b>
Loan-to-Value Ratio	55%	<b>Surveyed Rates</b>				<b>13.75</b>
Equity Dividend Rate	15.06%					

\*1st Quarter 2015 Data

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Based on the available data, it is my opinion that a capitalization rate of 11% would be most reflective of investor expectations for the subject property.

In summary:

Value = Net Operating Income (NOI) divided by the Capitalization Rate  
 Value = \$81,613 divided by 11%  
 Value = \$741,936 (\$740,000 rounded)

As with the sales comparison approach, that preliminary value indication must be adjusted by the value contribution of the cabins, previously estimated at \$160,000, resulting in an overall value indication by the Income Approach of \$900,000.

## Final Reconciliation

The following value conclusions have been drawn:

<i>Cost Approach</i>	<i>n/a</i>
<i>Sales Comparison Approach</i>	<i>\$900,000</i>
<i>Income Approach</i>	<i>\$900,000</i>

- The Cost Approach was not developed, for the reasons discussed above.
- Sales Comparison Approach: This approach has been developed based on recent sales within the immediate market area, and is considered a reliable indicator of value.
- Income Approach: This approach was fully developed, but compromised somewhat by a paucity of relevant data. Further, properties such as the subject are typically purchased for owner-operation, and the market would put little weight on a value indication derived through the Income Approach.

The value indications are significantly higher than the reported contract price. However, the property has not been marketed traditionally and the seller is in a distress situation.

While the Income Approach is considered less reliable in this instance than the Sales Comparison Approach, the two approaches nevertheless are consistent in their value indications.

Accordingly, it is my opinion that the market value of the subject property's fee simple interest, "as is", as of an effective date of valuation of June 19, 2015, subject to the Limiting Conditions and Assumptions of this appraisal, is

**NINE HUNDRED THOUSAND DOLLARS**  
**(\$900,000)**

*Addendum*

## Contingent and Limiting Conditions

Acceptance of and/or use of this report constitutes acceptance of the following limiting conditions and assumptions; these can only be modified by written documents executed by both parties.

This appraisal is to be used only for the purpose stated herein. While distribution of this appraisal in its entirety is at the discretion of the client, individual sections shall not be distributed; this report is intended to be used in whole and not in part.

No part of this appraisal, its value estimates or the identity of the firm or the appraiser(s) may be communicated to the public through advertising, public relations, media sales, or other media.

All files, work papers and documents developed in connection with this assignment are the property of Hafner Valuation Group, Inc. Information, estimates and opinions are verified where possible, but cannot be guaranteed.

No hidden or unapparent conditions of the property, subsoil or structure, which would make the property more or less valuable, were discovered by the appraiser(s) or made known to the appraiser(s). No responsibility is assumed for such conditions or engineering necessary to discover them. Unless otherwise stated, this appraisal assumes there is no existence of hazardous materials or conditions, in any form, on or near the subject property.

Regarding the compliance of the subject property with the Americans with Disabilities Act (ADA), we have not made a specific compliance survey and analysis of the property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the act. If so, this fact could have a negative effect upon the value of the property. Since we have no direct evidence relating to this issue, we did not consider the possible non-compliance with the requirements of the ADA in estimating the value of the property.

The appraisers are not required to appear in court in connection with this matter unless a further agreement is made and agreed upon fees are paid for the appraisers' time.

Appraisals are based on the data available at the time the assignment is completed. Amendments/modifications to appraisals based on new information made available after the appraisal was completed will be made, as soon as reasonably possible, for an additional fee.

The following general assumptions have been made, as of the date of valuation, in the course of this appraisal:

1. All mechanical systems, plumbing, heating and electrical systems are in good working order and the roof free of leaks;
2. There are no impediments to the transfer of clean, marketable title;
3. The existing use conforms to all applicable municipal ordinances, except as discussed;
4. All necessary certificates of occupancy are in place and the structures are in compliance with same;
5. There are no environmental conditions present on or near the property which would adversely affect the use or value of the property;
6. There are no facts relied upon by the appraiser which would be contradicted by an accurate survey and/or a topographical or engineering study of the subject property;
7. All necessary governmental approvals, certificates and/or licenses, necessary for the operation of a motel and restaurant are in place;
8. The financial information supplied by the client is accurate; and
9. There are no adverse deed restrictions, easements, encroachments or site conditions which would adversely affect the use or value of the property.

**This appraisal is subject to the extraordinary assumption that the interiors of uninspected cabins are consistent in quality and condition to typical older cabin properties found throughout the Lake George market area, with no adverse conditions that would significantly affect value. Any extraordinary assumption, if found to be false, can affect assignment results.**



Exhibit 1 - Appraisal Page 63 of 67  
3873 Route 9L, Lake George, N.Y.

Assessor's Parcel No: 522289 264.08-2-30  
Inspection: Exterior  
Report Type: Narrative Appraisal Report

The report needs to be addressed to:  
Ocwen Loan Servicing, LLC  
1661 Worthington Road, Suite 100  
West Palm Beach, FL 33409

**Special Instructions:**

A Full appraisal is needed for a BK cram down. The appraiser will need to testify.

It is requested that the appraiser provide the current as-is market value of the property and if there is significant deferred maintenance the appraiser must include an as-repaired market value. The appraiser must comment on any listing information of the subject within the past year in addition to the sale's history within the past 3 years.

The appraiser must disclose, if they have ever appraised the subject property and it must be noted in the appraisal report.

In the Sales Comparison Approach, the appraisal must include an adjustment grid, pictures of the comparable sale properties as well as a location map. The comparable sales should bracket the estimated value of the subject on both an unadjusted and adjusted basis.

This is a commercial asset and the appraisal must include an Income Approach with an analysis of the anticipated income stream. Using only the GRM Method is not acceptable; the appraisal must include at least the Direct Capitalization Method. The appraisal must include pictures of the comparable rental properties as well as a location map.

**Please let me know if you have any questions.**

Standard Instructions:

PLEASE ADD THE CLIENT ORDER NUMBER TO THE APPRAISAL IN A PROMINENT LOCATION WHERE IT CAN BE EASILY IDENTIFIED BY THE READER.

Please add the Service 1st order number beginning with 143 in your report.

Per client request please provide a copy of the data/listing sheet for all comparable sales utilized in the appraisal

**\*\*Please do not place additional contingencies on the appraisal without prior consent from Service 1st.**

**\*\*The client requests that recent comparable sales be utilized in the appraisal to reflect current market conditions.**

EXTERIOR INSPECTIONS - If the client has requested an exterior inspection, please do not contact the subject property owner or occupant as this is a client confidentiality request. Do not trespass on the subject property and do not disclose the client provided information or the client's identity.

**\*\*Please include the estimated value in the letter of transmittal.**

The Lender/Client name and address are to read as follows:

Ocwen Loan Servicing, LLC  
1661 Worthington Road, Suite 100  
West Palm Beach, FL 33409

Commercial Property Reports:

71A - Appraisal Report for Residential Income Property (Long Form)

This appraisal report is a form-based report, completed by a Commercial Appraiser, for Residential Income Properties where the loan amount exceeds \$750,000.

71B - Appraisal Report for Residential Income Property (Short Form)

This appraisal report is a form-based report for residential income properties of 5 or more units, where the loan amount is less than \$750,000.

Exhibit 1 - Appraisal Page 64 of 67  
3873 Route 9L, Lake George, N.Y.

For these assets, we have limited information regarding the subject property. If these assets are multifamily and have less than 10 units then the Form 71B will be acceptable; however, if it is greater than 10 units then a narrative report is required.

The client has provided descriptive information about the subject property that was obtained from past valuations. If your research indicates a significant deviation from the client provided data, please provide your data source for that information, or support for your differing interpretation of the physical description or use of the subject property.

It is requested that the appraiser provide the current as-is market value of the property and comment on any listing information of the subject within the past year in addition to the sales history within the past 3 years.

If the appraiser has ever appraised the subject property it must be noted in the appraisal report.

The appraisal must include an adjustment grid, pictures of the comparable sale properties as well as a location map. The comparable sales should bracket the estimated value of the subject on both an unadjusted and adjusted basis.

This is a commercial asset and the appraisal must include an Income Approach with an analysis of the anticipated income stream. Using only the GRM Method is not acceptable; the appraisal must include the Direct Capitalization Method. The appraisal must include pictures of the comparable rental properties as well as a location map.

reports include an adjustment grid for the comparables used in the Sales Comparison Approach.

PLEASE PROVIDE NEW, ORIGINAL, CLEAR PHOTOS OF THE FRONT, ALL SIDES, STREET AND ADDRESS VERIFICATION FOR THE SUBJECT PROPERTY. IF AN INTERIOR INSPECTION IS REQUESTED, PLEASE PROVIDE A MINIMUM OF 6 INTERIOR PHOTOS.

**\*\*A LOCATION MAP SHOWING THE SUBJECT AND ALL COMPS SHOULD ALSO BE INCLUDED.**

**\*\*\*COMP PHOTOS MUST BE ORIGINALS (YOU CANNOT USE MLS)\*\*\***

Please provide information on the microeconomic influences and trends that affect the subject property. These influences can include nearby competitive properties and developments, REO activity, nearby employment centers, traffic flows and other influences that directly influence the subject property. Provide a summary on the current trends and anticipated near term trends for these microeconomic influences.

Please provide information on the macroeconomic influences and trends affecting the subject property. These can include area employment trends, population trends, major road improvements and highway extensions, regional transportation trends including airports and railway hubs. Provide a summary on the current trends and anticipated near term trends for these macroeconomic influences.

Do not apply lease up charges if the subject building appears fully occupied. Please make the extraordinary assumption that the tenant will remain in place for an existing lease term or the owner/occupant will remain in the subject building.

EXTERIOR INSPECTIONS - The client has provided descriptive information about the subject property that was obtained from past valuations. PLEASE MAKE THE EXTRAORDINARY ASSUMPTION THE CLIENT PROVIDED GLA AND INTERIOR INFORMATION IS CORRECT FOR EXTERIOR INSPECTIONS. If your research indicates a significant deviation from the client provided data, please provide your data source for that information, or support for your differing interpretation of the physical description or use of the subject property.

INTERIOR INSPECTIONS - PLEASE MEASURE THE SUBJECT BUILDING AND USE THAT INFORMATION IN YOUR APPRAISAL REPORT.

PLEASE SEND YOUR REPORT TO APPRAISALS@SERVICE1INC.COM UPON COMPLETION. THANK YOU.

Please do not reply to this email. If you have any questions Please call:(412) 200-2550

## **Curriculum Vitae**

**James M. O'Neill**

### **Licensure**

New York State Certified Supervisory General Real Estate Appraiser and Instructor  
Certification #46-48834

### **Appraisal Education**

- 2003 R-1 - Introduction to Real Estate Appraisal  
R-2 - Valuation Principles and Procedures  
AQ-1 - Fair Housing, Fair Lending and Environmental Issues  
USPAP - National USPAP
- 2004 G-1 - Introduction to Income Proper Valuation  
G-2 - Principles of Income Property Valuation  
G-3 - Applied Income Property Valuation
- 2005 USPAP Update
- 2008 Report Writing and Valuation Analysis (Appraisal Institute)
- 2009 USPAP 15 Hour Course (Appraisal Institute)  
Appraisal of Nursing Homes (Appraisal Institute)  
Business Practices and Ethics (Appraisal Institute)  
Advanced Sales Comparison and Cost Approaches\*  
Advanced Income Capitalization\*  
Advanced Applications\*  
General Market Analysis/Highest and Best Use \*  
Appraisal Institute General Comprehensive Examination for MAI Designation
- 2010 USPAP Update  
Case Studies in the Valuation of Upstate N.Y Real Estate (Appraisal Institute)
- 2012 USPAP Update  
Environmental Issues for Appraisers  
Appraising Flex Buildings for Mortgage Underwriting  
*Ad Valorem* Tax Consultation  
Subdivision Valuation (Appraisal Institute)
- 2013 USPAP Update  
Financial Analysis of Real Estate (CCIM Institute)
- 2014 Forecasting Revenue (Appraisal Institute)  
Analyzing Operating Expenses (Appraisal Institute)  
Review Appraisals (Appraisal Institute)  
New York Appraiser Supervisor/Trainee Course  
The New Role of the Appraisals in Commercial Banking & Going Concern Allocations

### **Appraisal Experience**

2003 - Present

Hafner Valuation Group, Inc.  
4 Avis Drive, Latham, N.Y. 12110  
Certified General Appraiser and Consultant

**Exhibit 1 - Appraisal Page 66 of 67**  
3873 Route 9L, Lake George, N.Y.

**Types of Properties Appraised**

Office Buildings	Warehouses
Retail	Manufacturing Facilities
Restaurants	Truck Terminals
Shopping Centers	Auto Repair Facilities
Mixed Use Buildings	Communications Towers
Fraternal Organizations	Liquid Propane Storage Facilities
Sports Facilities	Public Utility Facilities
Religious Facilities	Residential Vacant Land and Subdivisions
Funeral Homes	Rural Vacant Land
Single-Family Residential	Commercial/Industrial Vacant Land
Multi-Family Residential	Golf Courses/Country Clubs
Apartment Buildings	Utility Easements
Senior Housing/Nursing Homes	Miscellaneous Easements
Mobile Home Parks	Environmentally Contaminated Properties
Hotels/Inns	Partial Interests
Colleges/Universities	Mineral Processing Plants
Federal Land Acquisitions	Self Storage Facilities

**Consultation Developed in the Following Contexts**

Real Estate Tax Grievances/Certiorari Proceedings	Eminent Domain
Zoning and Land Use	Foreclosure
Bankruptcy	Matrimonial/Equitable Distribution
Estate Distribution	Estate Taxes
Charitable Donation Tax Issues	Legal Malpractice
Appraiser Malpractice	Public Utility Development
Property Damages	Title Insurance
Corporate/Partnership Dissolution	

**Professional Associations**

Appraisal Institute (Candidate for Designation)  
 CCIM Institute (Candidate for Designation)

**Qualified as Expert Witness**

Supreme Court of the State of New York  
 New York State Public Service Commission

**Teaching**

*Recent New York Case Law Developments of Interest to Appraisers*  
 (Appraisal Institute, 2010)  
*Properties of Zero Market Value*  
 (Appraisal Institute, 2015)

### Certification Statement

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have not previously performed services regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
- I have made a personal inspection of the property that is the subject of this report.
- No one provided significant real property appraisal assistance to the person signing this certification.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, I have completed the Standards and Ethics Education Requirements for Candidates of the Appraisal Institute.



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James M. O'Neill